

**REPORT TO:** CABINET

**DATE:** 1 DECEMBER 2022

**TITLE:** ANNUAL TREASURY MANAGEMENT REPORT  
2021/22

**PORTFOLIO HOLDER:** COUNCILLOR JAMES LEPPARD, PORTFOLIO  
HOLDER FOR FINANCE

**LEAD OFFICER:** SIMON FREEMAN, DEPUTY CHIEF EXECUTIVE  
AND DIRECTOR OF FINANCE (01279) 446228

**CONTRIBUTING OFFICER:** MATTHEW CROSBY. ASSISTANT DIRECTOR  
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**This is not a Key Decision**

**It is on the Forward Plan as Decision Number I013854**

**The decision is not subject to Call-in Procedures for the following reason:**

The decision stands as a recommendation to Full Council

**This decision will affect no ward specifically.**

**RECOMMENDED that:**

**A** Cabinet note the annual Treasury Management Report for 2021/22, as set out in Appendix A to the report, and that the Council operated within the Treasury Management Strategy Statement during 2021/22 and that the report is recommended to Full Council for approval.

**REASON FOR DECISION**

**A** In complying with latest Codes of Practice, Full Council is required to receive an annual report on the prior years' treasury management functions of the Council, which should also receive review by Cabinet in advance of its presentation to Full Council.

**B** The Prudential Indications are also required to be reported to Full Council. These are included within the annual Treasury Management report.

**BACKGROUND**

1. Treasury management is defined as "The management of the Council's investments and cash flows, it's banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
2. During 2021/22 the minimum reporting requirements were that Full Council should receive the following reports:

- a) An annual treasury strategy in advance of the year (Full Council 28 January 2021)
  - b) A mid-year treasury update report (Full Council 3 February 2022); and
  - c) An annual review following the end of the year describing the activity compared to the strategy (this report).
3. The annual report for 2021/22 has been produced in compliance with the Code and is set out in Appendix A to this report. The regulatory environment governing treasury management places onus on Councillors for the review and scrutiny of treasury management policies and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Council.

### **ISSUES/PROPOSALS**

4. As stewards of public funds, the Council continues to take all practical steps to protect its investment portfolio. In this respect, emphasis remains in this order of priority: security, liquidity and yield.
5. Security is defined as "reducing risk in order to protect the return of capital sums, particularly in relation to the Council's investments". In practice this means placing investments with organisations which have a high quality credit rating, i.e. banks and other bodies which have a Fitch rating of A(-) and above.
6. Local Authorities do not usually have credit ratings but are generally inherently safe havens for investments. However, in recent years there have been exceptions to this rule, for example Northamptonshire County Council and Croydon Borough Council. In these circumstances the Council would continue to follow the advice of its Treasury Management advisors Arlingclose.
7. Liquidity means "ensuring that investments are not committed for excessive time periods in order to facilitate the Council's cashflow requirements and to reflect the risk of not having immediate access to funds". Councils are discouraged from investing disproportionate sums of money for long periods of time at what seem attractive rates of return.
8. Yield is "obtaining a reasonable return on investments". In March 2021 the Bank of England base rate stood at 0.10 percent. However, as a result of the changing economic situation following the pandemic a number of rate rises ensued in December 2021, February 2022 and March 2022 with the end of year base rate being 0.75 per cent. Against this backdrop the Council has attempted to gain the best yields possible without compromising security and liquidity.
9. The advice from Arlingclose is that the Council must aim towards a good investment spread as the best defence against a possible Capital loss. As a result and within the overarching powers given by Councillors in the Treasury Management Strategy, the Council held investments with the CCLA (the Local

Authority Property Fund), a Cash-Plus Fund, Money Market Funds, Local Authorities and the Treasury's Debt Management Office. It does not currently hold and investments with Banks and Building Societies, other than funds held with its own banker Barclays Bank plc.

## **IMPLICATIONS**

### **Strategic Growth and Regeneration**

None specific.

**Author: Andrew Bramidge, Director of Strategic Growth and Regeneration**

### **Finance**

As contained in the report.

**Author: Simon Freeman, Deputy Chief Executive and Director of Finance**

### **Housing**

None specific.

**Author: Andrew Murray, Director of Housing**

### **Community and Environment**

None specific.

**Author: Jane Greer, Director of Community and Environment**

### **Governance and Corporate Services**

None specific

**Author: Simon Hill, Director of Governance and Corporate Services**

### **Appendices**

Appendix A – Annual Treasury Management Report 2021-22

### **Background Papers**

Treasury Management Strategy 2021/22

### **Glossary of terms/abbreviations used**

None.